

Select Committee on Pension Policy

P.O. Box 40914
Olympia, WA 98504-0914
actuary.state@leg.wa.gov

Regular Executive Committee Meeting

May 16, 2006

12:30 PM - 2:30 PM
House Hearing Room C
Olympia

AGENDA

- 12:30 PM **(A) Approval of Minutes**
- 12:35 PM **(B) 2006 Interim Work Plan**
- 1:15 PM **(C) June Committee Meeting**
- 2:15 PM **(D) Constituent Correspondence**
- 2:30 PM **(E) Adjourn**

***Elaine M. Banks**
TRS Retirees

Representative Barbara Bailey

Lois Clement
PERS Retirees

Representative Steve Conway

Representative Larry Crouse

Senator Karen Fraser

***Representative Bill Fromhold,**
Vice-Chair

Leland A. Goeke
TRS and SERS Employers

Robert Keller
PERS Actives

***Sandra J. Matheson,** Director
Department of Retirement Systems

Corky Mattingly
PERS Employers

Doug Miller
PERS Employers

Victor Moore, Director
Office of Financial Management

Senator Joyce Mulliken

***Glenn Olson**
PERS Employers

***Senator Craig Pridemore,**
Chair

Diane Rae
TRS Actives

***J. Pat Thompson**
PERS Actives

Senator Mark Schoesler

David Westberg
SERS Actives

*** Executive Committee**

(360) 786-6140

Fax: (360) 586-8135

TDD: 1-800-635-9993

Select Committee on Pension Policy

REGULAR EXECUTIVE COMMITTEE MEETING DRAFT MINUTES

March 21, 2006

The Select Committee on Pension Policy met in House Hearing Room C, Olympia, Washington on March 21, 2006.

Committee members attending:

Senator Pridemore, Chair	Glenn Olson
Representative Fromhold, Vice-Chair	J. Pat Thompson
Elaine Banks	

Other Committee members attending:

Representative Bailey	Corky Mattingly
Representative Crouse	Glenn Olson
Senator Fraser	J. Pat Thompson

Senator Pridemore, Chair, called the meeting to order at 1:05 PM.

(A) 2006 Interim Issues

Matt Smith, State Actuary, stated that the "Preliminary 2006 Interim Issues" was reported at the Full Committee meeting. Discussion followed. It was the consensus of the members that staff draft a letter to legislative leadership and the Governor's office to schedule a meeting to discuss the legislative gain-sharing parameters and how best the Select Committee on Pension Policy can offer its services in crafting a specific legislative proposal.

Chair Pridemore stated that he would work with SCPP staff to develop a proposed 2006 interim work plan.

There will be no April meeting. The next meeting will be May 16, 2006.

(C) Constituent Correspondence

Matt Smith, State Actuary, reported on the "constituent correspondence".

The meeting adjourned at 2:00 PM.

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Select Committee on Pension Policy

2006 Interim Work Plan

(April 25, 2006)

May 16, 2006

WSIB update
Update on other states' pensions
Pension funding / accounting reforms

June 20, 2006

Dual membership
\$150,000 death benefit
Service credit purchase due to injury

July 18, 2006

Post retirement employment
Plan 1 funding method
Gain-sharing

August 22, 2006

No meeting

September 19, 2006

Recommendation to PFC
\$150,000 death benefit
Service credit purchase due to injury

October 17, 2006

Dual membership
Gain-sharing
Plan 1 funding method

November 21, 2006

2005 actuarial valuation report
PSERS membership report
Gain-sharing

December 12, 2006

2007 legislative proposals

Select Committee on Pension Policy

June 20th – Meeting Planner

(April 25, 2006)

FULL COMMITTEE AGENDA

- (1) Dual membership
- (2) \$150,000 death benefit
- (3) Service credit purchase due to injury
- (4) Adjourn

EXECUTIVE COMMITTEE AGENDA

- (A) Direction on day's agenda
- (B) July committee meeting briefing
 - Post-retirement employment
 - Plan 1 funding method
 - Gain-sharing
- (C) Constituent correspondence
- (D) Adjourn



OLYMPIA FIELD OFFICE

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March 8, 2006

The Honorable Bill Fromhold, Chair
Select Committee on Pension Policy
239 John L. O'Brien Building
PO Box 40600
Olympia, WA 98504-0600

Dear Representative Fromhold:

The members of The Washington Federation of State Employees often come up with ideas that they want us to pursue in the way of updating the Retirement System. We have explained to them that any pension changes originate with the Select Committee before being sent to the Legislature for approval. During this past year, our members have come up with several recommendations for pension changes. I am forwarding these ideas to you for possible research and consideration during the interim.

Proposal Number One: Washington Bridge Plan – This program would provide medical benefits for all eligible retirees who are 55 or older and have 30 or more years of state service. The Bridge would continue the worker's medical coverage upon retirement from state service, under existing contract conditions, with the employer paying the bulk of the premium and the retiree contributing the same as current employees. Bridge members would also be able to participate in the open enrollment process.

Proposal Number Two: Veteran's Retirement -- Request legislation to give *non-interruptive* military service credit for *non-interruptive* veterans in PERS 2/3 retirement plans the same as *interruptive* military service credit currently given to interruptive veterans in PERS 2/3. By giving the same credit to *non-interruptive* and *interruptive* veterans the state will show equality between the two groups.

Proposal Number Three: Medical Retirement – Legislature draft legislation to change language of what constitutes eligibility for medical retirement to mirror the definition and allowances provided for by the Federal Social Security Administration; eliminate the actuarial reduction to employees who are forced to retire before age 65; determine benefits if "last survivor" option is selected by the retiree. A bill was sponsored in 2006 Legislature to address these issues. Urge Select Committee to support this proposed legislation.

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Bill Fromhold
March 8, 2006
Page 2

Proposal Number Four: Trades Retirement Age -- Consider offering Trades Workers full retirement option at age 60. The job requirements in the trades positions cause physical stress such that state trades workers are often not able to perform their jobs until the current age 60 retirement rule.

Proposal Number Five: Change to Public Safety Employees Retirement System -- Allow PERS Plan 2 and 3 members, who opt to join the PSERS Plan, be allowed to transfer their entire fund balance and service credit from PERS to PSERS.

Proposal Number Six: PERS 4/Medical Expense Savings Plan -- Set up a separate savings account that would generate interest income that could be used to defray medical premiums of a retiree who is faced with the inability to retire because of the high cost of medical coverage. A person who is diagnosed with a terminal illness would be able to draw on the principal to pay medical premiums. In the event of an employees' death the money would be reverted to the employee's estate. If an employee is terminated from employment the money could be used for COBRA benefits or be given to the employee in a lump sum.

If you have any questions on these issues, please give me a call at 360-786-1303 and we can discuss. Basically, we are asking that these items be placed on your committee's agenda for study during the interim.

Sincerely,



Bob Keller, Member
Select Committee on Pension Policy

Cc: Council 28 Executive Board
Greg Devereux, Executive Director
Dennis Eagle, Director, Legislative
and Political Action

Burkhart, Kelly

From: on behalf of Office State Actuary, WA
Subject: FW: ATTENTION:SELECT COMMITTEE ON PENSION POLICY (SCPP)retire/rehire situation FOR WIL E. BRANNON

-----Original Message-----

From: Wil Brannon
Sent: Friday, March 24, 2006 1:10 PM
To: Office State Actuary, WA
Subject: ATTENTION:SELECT COMMITTEE ON PENSION POLICY (SCPP)retire/rehire situation FOR WIL E. BRANNON

I hope someone will listen to my story and give me some direction. I

retired in May of 2000 after almost 34 years with Pierce County Public Works.

In 2002, due to extreme medical problems with my wife, Linda, I found it necessary to return to work. I went through all the training offered by the unemployment office and started on a job search. As I read over job requirements I realized that I had only worked in one profession my whole life; Public Works. To make a long story short, I started applying for Public Works positions where I had the best qualifications. One of those applications went to an open "Interim" Public Works position at Lewis County. I competed for this temporary position and eventually was awarded the job, starting in March of 2003. This was a fair and competitive hiring process. I rented a small bachelor apartment in Chehalis, where I lived during the work week. I went home to Puyallup on weekends. In late July of 2003, the Lewis County Public Works Director and the Board of County Commissioners offered me this position on a permanent basis. I accepted the position in August of 2003. I was finally

able to sell my home in Puyallup, and moved my family to Lewis County in November of 2004. Believe me, this was not a popular move with my two teenage daughters; but it was a direction we had to make in order to keep our family together. Now, due to legislative changes that happened after my retirement in 2000, I feel I am forced to make a career decision that I am really should not have to make. When I retired in 2000, the Pers 1 rehire laws placed loss of retirement benefits on any rehires after 1500 hours of employment per year in a Pers 1 position. There were no restrictions as to how many years a person could continue to work under those guidelines. Then, in 2003, legislation was passed that further reduced the annual benefit limit from 1500 hours to 867 hours after three full-time years of employment in a Pers position. I ask to be "grand fathered" in to the retirement rehire guidelines that I retired under in the year 2000. I feel consideration for this request is warranted due to the following reasons:

1. When I retired in 2000, I had no intention of being rehired into a position in the Pers 1 Plan. My retirement contract was in good faith, but, medical conditions forced me back into the only position I was experienced in, as Public Works was my entire working life. I was able to perform immediately at a high level of efficiency in my new job.
2. These retirements benefits were earned and paid for by myself and my previous employer (Pierce County). My having to return to work should not have a bearing on previously earned benefits.
3. I competed for the new position fairly, having completed and submitted

the job application and resume'. I also went through the interview and testing process.

4. For the first 20 months in the new position, many sacrifices were made by myself and my family. I mention this solely to put further emphasis on the fact that my return to work was a dire necessity, not a luxury.

5. There is also the political issue that came about, when former Governor Locke vetoed a similar law for all the "TERS 1" rehire/retire teachers and administrator. Why was that? That was a major hit on the Pers program members.

6. I feel like some form of my "Right to Work" privileges to get employment in the State of Washington have been taken away. The number of public agencies where I could apply for positions that I was qualified for was greatly reduced because the vast majority participate in the Pers programs.

7. I am aware that there may be people who have abused the system, but why not seek them out and correct them. I am sincere in being the best provider possible to my wife and my children. Again, I became a rehire due to family illnesses and necessities and I competed fairly for the position. I do not consider my request for reconsideration being grandfathered in to the retirement laws for the year that I retired. I would appreciate being contacted to give me some advice on what direction I should take my appeal.

PLEASE CORRECT ME IF I HAVE BEEN MIS-INFORMED ON ANY OF THE ABOVE INFORMATION.

WIL E. BRANNON
740 A LEUDINGHAUS ROAD
CHEHALIS, WA. 98532
HOME PHONE=360-291-0029
WORK PHONE=360-740-1384

Burkhart, Kelly

From: Baker, Robert
Sent: Wednesday, May 03, 2006 9:32 AM
To: 'dysonnj@dshs.wa.gov'
Cc: Fromhold, Rep. Bill; Burkhart, Kelly
Subject: HB 2685

Ms. Dyson,

Representative Fromhold asked that this office reply to your inquiry. The Office of the State Actuary provides staff support to the Select Committee on Pension Policy (SCPP) of which Representative Fromhold was Chair during the 2005 interim.

When the legislation amending the Public Safety Employees' Retirement System was forwarded from the SCPP to the legislature, both the Department of Social and Health Services (DSHS) and the Department of Natural Resources (DNR) were on the list of employers. We can only speculate as to why the legislature chose to amend the bill and remove DSHS and DNR from the list of employers. The following factors may have worked against their inclusion:

There may have been a general unwillingness to grant benefit increases in light of the media focus on negative pension issues elsewhere – public and private.

Considering the large contributions already needed to fund the existing retirement plans, any additional expenditures may have been seen as excessive.

There may have been a reluctance to expand membership in a new plan before it was open (July 1 of this year).

The impact of additional employers was not fully studied. The inclusion of DSHS and DNR in the legislation was recommended during a late interim executive committee meeting. While the Juvenile Rehabilitation Administration was a known entity, it was unclear how many other of DSHS employees might have been eligible – custody staff at Eastern and Western State Hospitals for instance.

This office will forward your correspondence to SCPP members so they will be aware of your concerns.

Robert Wm. Baker
Senior Research Analyst
Office of the State Actuary
(360) 786-6144
Baker.Robert@leg.wa.gov

Burkhart, Kelly

Subject: FW: HB 2685

Sent: Monday, May 01, 2006 2:16 PM

To: Fromhold, Rep. Bill

Subject: NC: HB 2685

HOUSE INTERNET E-MAIL DELIVERY SERVICE

TO: Representative Bill Fromhold

FROM:

Ms. Nancy Dyson (Non-Constituent from District 13)

205 S. Sprague

Ellensburg, WA 98926

E-MAIL: dysonnj@dshs.wa.gov

PHONE: 509-968-3924

SUBJECT: HB 2685

MESSAGE:

I would like to know why DSHS was taken off of this bill. I work for Juvenile Rehabilitation Administration and according to your requirements we would meet the criteria since we supervise incarcerated individuals, yet we are not being included in this new retirement system. I work at a State Group Home and in 2005 we had a staff brutally assaulted, tied up and taken out of the facility in an attempted kidnapping so it seems to me we also meet the criteria for a high degree of physical risk to our own personal safety . I would appreciate knowing what we / I could do to get us included in this new retirement system. Thanks for your help in this.

NOTE: No response required by the sender.

NOTE: We are 81% sure that this is a non-constituent from district 13

Burkhart, Kelly

Subject: Reasons WSP should have Rep on SCOPP 3-6-06

From: Ken Parsons

Sent: Wednesday, May 03, 2006 11:56 AM

To: Office State Actuary,

Subject: Reasons WSP should have Rep on SCOPP 3-6-06

This letter was mailed to Governor Gregoire on May 3, 2006 from the RWSPTA Board of Directors.

Retired Washington State Patrol Employees Association

4138 60th Ave., SW

Olympia, WA 98512-7014

To: Governor Christine Gregoire
 RE: Reasons WSP should have positions on SCOPP
 From: Board of Directors, RWSPEA
 Date: May 3, 2006

Perception is one person or groups idea of how things should happen; it is derived from reading, learning, and experience. If the knowledge is incorrect then the perception will be flawed. With that stated, below is our perception of how WSP retirement is working within DRS via the Select Committee on Pension Policy.

The consolidation of all retirement systems under DRS was to address two major problems. First the Washington legislature was bombarded with lobbyists from many different retirement systems and plans. The legislators were looking for a better way to manage multiple state retirement systems. The legislative answer was to use the Select Committee on Pension Policy. The governor's appointees to the SCOPP were the representatives of the three big retirement systems--PERS, TERS, and SERS. Representatives of the other retirement systems were placed in advisory committees without much input.

Now if we remember paragraph one, the perception of those appointed from PERS, TERS, and SERS had a great deal of knowledge of their own systems and that is where their focus has been. When a proposal from WSP was introduced, the SCOPP made an interpretation based on the perceptions of the committee members. In that no one from WSP was a participant in this committee, there was no one to point out the inaccuracy of interpretation of the original WSP intent. Not having a WSP representative on the committee has not served WSP and retirees very well. We could expand on the reasons and will if asked; however, we would just point out that the RCW 41.04.276 has not been followed. (See page 3)

How can WSP receive equal representation?

- Since the WSP has never had an active or retiree representative on SCOPP as required by statute, the Governor could just appoint representatives as required.
- The second method...which is preferred...for correcting this problem would be to expand the SCOPP to include active and retired WSP representatives on an equal basis with the other systems—PERS, TERS, and SERS.

The legislature authorized an additional retirement system, being the Public Safety PERS, to become active in June of 2006. Since there seems to be a need for this additional system then possibly they also should have their own representatives on SCOPP. Many current WSP members will become members of this system.

5/3/2006

Not allowing equal representation leads to actual or perceived unfairness. We believe this is a reason LEOFF 2 sought self governance and was granted such by means of a public vote. We will be interested in your perception of the above topic and look forward to your response. The contact person for the RWSPEA is Ken Parsons, who can be contacted via email at president@rwspea.org.

Cc: Chief John Batiste
 DRS Director Sandy Matheson
 SCOPP
 WSPTA
 Representative Frank Chopp
 Senator Lisa Brown
 Senator Craig Pridemore, Chairman SCOPP
 Matthew M. Smith, State Actuary

RCW 41.04.276

Select committee on pension policy — Creation — Membership — Terms of office — Staff support.

(1) The select committee on pension policy is created. The select committee consists of:

(a) Four members of the senate appointed by the president of the senate, two of whom are members of the majority party and two of whom are members of the minority party. At least three of the appointees shall be members of the senate ways and means committee;

(b) Four members of the house of representatives appointed by the speaker, two of whom are members of the majority party and two of whom are members of the minority party. At least three of the appointees shall be members of the house of representatives appropriations committee;

(c) Four active members or representatives from organizations of active members of the state retirement systems appointed by the governor for staggered three-year terms, with no more than two appointees representing any one employee retirement system;

(d) Two retired members or representatives of retired members' organizations of the state retirement systems appointed by the governor for staggered three-year terms, with no two members from the same system;

(e) Four employer representatives of members of the state retirement systems appointed by the governor for staggered three-year terms; and

(f) The directors of the department of retirement systems and office of financial management.

(2)(a) The term of office of each member of the house of representatives or senate serving on the committee runs from the close of the session in which he or she is appointed until the close of the next regular session held in an odd-numbered year. If a successor is not appointed during a session, the member's term continues until the member is reappointed or a successor is appointed. The term of office for a committee member who is a member of the house of representatives or the senate who does not continue as a member of the senate or house of representatives ceases upon the convening of the next session of the legislature during the odd-numbered year following the member's appointment, or upon the member's resignation, whichever is earlier. All vacancies of positions held by members of the legislature must be filled from the same political party and from the same house as the member whose seat was vacated.

(b) Following the terms of members and representatives appointed under subsection (1)(d) of this section, the retiree positions shall be rotated to ensure that each system has an opportunity to have a retiree representative on the committee.

(3) The committee shall elect a chairperson and a vice-chairperson. The chairperson shall be a member of the senate in even-numbered years and a member of the house of representatives in odd-numbered years and the vice-chairperson shall be a member of the house of representatives in even-numbered years and a member of the senate in odd-numbered years.

(4) The committee shall establish an executive committee of six members, including the chairperson, the vice-chairperson, one member from subsection (1)(c) of this section, one member from subsection (1)(d) of this section, one member from subsection (1)(e) of this section, and the director of the department of retirement systems.

(5) Nonlegislative members of the select committee serve without compensation, but shall be reimbursed for travel expenses under RCW [43.03.050](#) and [43.03.060](#).

(6) The office of state actuary under chapter [44.44](#) RCW shall provide staff and technical support to the committee.

Burkhart, Kelly

From: Baker, Robert
Sent: Wednesday, May 10, 2006 10:05 AM
To: 'savocma@dshs.wa.gov'
Cc: Fromhold, Rep. Bill
Subject: 2006 HB 2685

Mr. Savoca,

Representative Fromhold asked that this office reply to your inquiry. The Office of the State Actuary provides staff support to the Select Committee on Pension Policy (SCPP) of which Representative Fromhold was Chair during the 2005 interim.

When the legislation amending the Public Safety Employees' Retirement System was forwarded from the SCPP to the legislature, both the Department of Social and Health Services (DSHS) and the Department of Natural Resources (DNR) were on the list of employers. We can only speculate as to why the legislature chose to amend the bill and remove DSHS and DNR from the list of employers. The following factors may have worked against their inclusion:

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Considering the large contribution increases already needed to fund the existing retirement plans, any additional expenditures may have been seen as excessive.

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This office will forward your correspondence to SCPP members so they will be aware of your concerns.

Robert Wm. Baker
Senior Research Analyst
Office of the State Actuary

Burkhart, Kelly

Subject: FW: 2006 HB 2685

From: Savoca, Michael A [mailto:savocma@dshs.wa.gov]

Sent: Friday, May 05, 2006 2:30 PM

To: Fromhold, Rep. Bill

Cc: masavoca@yemtel.com

Subject: 2006 HB 2685

Honorable Representative Fromhold,

Thank you for introducing HB 2685 during the last legislative session.

I was disappointed that the provisions which would have applied PSERS retirement benefits to Juvenile Rehabilitation Administration institutional staff was removed. JRA is an agency of DSHS

I have worked as juvenile correctional counselor for over 26 years at Maple Lane, a State Juvenile Correctional Facility. As a Maple Lane staff my fellow counselors and I work "on the floor" with all manner of juvenile offender including those who have committed very violent and dangerous offenses.

My understanding is that provisions of HB 2685, that would have included DSHS employees working as front line staff with juvenile offenders in an institution were deleted during the last phases of the Bill's consideration.

Any information that your office could provide to help me understand how our workers "failed to make the cut" would be appreciated. Then I could evaluate whether or not it would be constructive for me to provide evidence in the future suggesting our inclusion in similar legislation provisions should the opportunity arise

Thank You,
Michael Savoca

5/10/2006



14900 Interurban Ave. S.
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Tukwila, WA 98168
T: 206/242-4777
F: 206/242-3131

www.aftwa.org

May 11, 2006

An affiliate of the
American Federation of Teachers, AFL-
CIO

The Honorable Craig Pridemore, Chair
Select Committee on Pension Policy
P.O. Box 40914
Olympia, WA 98504-0914

Dear Senator Pridemore and Members of the Select Committee on Pension Policy:

As you continue your deliberations about which legislation to take to the legislature this year, we would like to emphasize a couple of issues of special priority to our members.

AFT Washington represents school employees in SERS, some technical college classified in PERS and a small number of community and technical college faculty in TRS I.

Over the past ten years, we joined with the other labor groups representing school employees to oppose the introduction of a mandatory membership in Plan III. We lost the battle some years ago, when school employees, including classified school employees, were split off from PERS and denied the voluntary membership in Plan III for new employees. Consequently, we have gone for many years now under a system where incoming employees, regardless of their age or future employment plans, have been forced into SERS Plan III.

For the past several years, there has been legislative will to change this and return to a more seamless and equitable retirement system for all our state employees. We welcome that interest and join with others who have requested that all plans, including SERS, contain choice in retirement plans between II and III. The mandatory nature of our members' inclusion in Plan III has always been a thorn in our side, but now, in view of the threat of loss of gainsharing, our members are especially concerned that they have a choice not to go into Plan III.

We are also very interested in achieving at least a Rule of 90 for our members to give them a viable option to afford retiring before age 65. Additionally, we support the request of other organizations to improve on the five-year vesting for Plan III issue next session by removing the age limitation put on this past session.

These issues need to be addressed. Whether they are part of a package that is proposed to ameliorate the harm to our members by virtue of repealing gainsharing or whether they are stand alone issues, we strongly request that they be dealt with in this coming session.

Thank you for your support of these and other important retirement issues.

Respectfully,

Wendy Rader-Konofalski
AFT Washington Lobbyist

WRK/sa
sa/opeiu#8afl-cio
sa/md/wrk/scppmaymtg